



# SECTORAL DEBATE 2014-2015

“Consolidating the Gains toward  
Economic Reform & Public  
Sector Modernisation”

MICROSOFT

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MINISTER WITHOUT PORTFOLIO (PUBLIC SERVICE)

MINISTRY OF FINANCE AND PLANNING

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**\*CHECK AGAINST DELIVERY\***

## LIST OF ACRONYMS AND ABBREVIATIONS

<b>GOJ</b>	<b>Government of Jamaica</b>
<b>GEP</b>	Global Economic Prospects Report
<b>GDP</b>	Gross Domestic Product
<b>ERP</b>	Economic Reform Programme
<b>EU</b>	European Union
<b>NIR</b>	Net International Reserves
<b>IADB</b>	Inter-American Development Bank
<b>INGP</b>	InterAmerican Network of Government Procurement
<b>CIPS</b>	College of Insurance and Professional Services
<b>INPRI</b>	International Procurement Institute Jamaica
<b>NHF</b>	National Health Fund
<b>MSMEs</b>	Micro Small and Medium Enterprises
<b>NWA</b>	National Works Agency
<b>FAA Act</b>	Financial Administration and Audit Act
<b>PPL</b>	Public Procurement Law
<b>E-GP</b>	Electronic Government Procurement
<b>IT</b>	Information Technology
<b>JNOPP</b>	Jamaica Network of Public Procurement Practitioners
<b>GEI</b>	Government Electrical Inspectorate
<b>SHRMD</b>	Strategic Human Resource Management Division
<b>MOFP</b>	Ministry of Finance and Planning
<b>RFP</b>	Request For Proposal
<b>ICT</b>	Information and Communication Technology
<b>IMF</b>	International Monetary Fund
<b>PSED</b>	Public Service Establishment Division
<b>CMDD</b>	Corporate Management Development Division
<b>PSEP</b>	Public Sector Efficiency Programme
<b>HCMES</b>	Human Capital Management Enterprise System
<b>TAJ</b>	Tax Administration Jamaica
<b>JCA</b>	Jamaica Customs Agency
<b>AGD</b>	Accountant General Department
<b>FY</b>	Financial Year
<b>MOU</b>	Memorandum of Understanding
<b>NAJ</b>	Nurses Association of Jamaica
<b>JMDA</b>	Jamaica Medical Doctors Association
<b>AGMC</b>	Association of Government Medical Consultants
<b>MDAs</b>	Ministries, Departments and Agencies
<b>E-Gov</b>	Electronic Government
<b>M.I.N.D</b>	Management Institute for National Development
<b>RECU</b>	Research and Establishment Control Unit
<b>JCSA</b>	Jamaica Civil Service Association
<b>JCTU</b>	Jamaica Confederation of Trade Unions
<b>BGLC</b>	Betting Gaming and Lotteries Commission
<b>BGL Act</b>	Betting Gaming and Lotteries Act
<b>JRC</b>	Jamaica Racing Commission
<b>CTL</b>	Caymanas Track Limited
<b>POCA</b>	Proceeds of Crime Act
<b>DNFI's</b>	Designated Non-Financial Institutions
<b>CGC</b>	Casino Gaming Commission
<b>CDB</b>	Caribbean Development Bank
<b>SLB</b>	Students Loan Bureau
<b>HRM</b>	Human Resource Management
<b>EA</b>	Executive Agency
<b>CEO</b>	Chief Executive Officer
<b>UNCTAD</b>	United Nations Conference on Trade and Development
<b>ASYCUDA</b>	Automated System for Customs Data
<b>PIOJ</b>	Planning Institute of Jamaica
<b>NCC</b>	National Contracts Commission
<b>OCG</b>	Office of the Contractor General
<b>MSME</b>	Medium, Small and Micro Enterprises
<b>PAB</b>	Public Appeals Board
<b>CET</b>	Common External Tariff
<b>IRDs</b>	Integrated Resort Developments

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## ECONOMIC OVERVIEW

**Mr. Speaker**, my contribution to the Sectoral Debate seeks to apprise this Honourable House of the gains that have been made in the Public Sector for the 2013-2014 fiscal year and projections for the 2014/15 period. My presentation will especially focus on the Government's thrust towards economic reform and public sector modernisation subsequent to the IMF Agreement.

**Mr. Speaker**, the programme of reform that the Government has embarked on is concentrated on **macro-economic stability, sustainable growth and development** through the reduction of our national debt, increase revenues and the promotion of fiscal prudence.

**Mr. Speaker**, the maintenance of the Economic Reform Programme (ERP), particularly overhauling the **Public Procurement regime, Public Sector Transformation and Pension Reform** is critical to economic growth and the promotion of an efficient and modern public sector. Tremendous strides have been made and as my colleague Minister, Dr. Peter Phillips disclosed in his opening budget statement 2014-2015:

- **The IMF Agreement is in place and on sound footing**; we have concluded and passed all tests and met ALL benchmarks. The head of the IMF, Ms. Christine Lagarde visited with us on June 27, 2014 and discussed the ensuing loan agreement with Jamaica. The visit by Ms. Lagarde underscores the Fund's support for Jamaica's Economic Reform Programme, and this, **Mr. Speaker**, signals renewed prospects for growth;
- The latest IMF review which was done in May concluded that the country's overall economic performance, under the programme, remains strong; economic outlook is improving, crisis risks have retreated, growth has picked up, net exports are stronger, inflation has been brought under control, and our reserves are starting to improve:

- The current account deficit shrunk to an estimated 9.6% of GDP in 2013 from 12.9% in 2012;
- The NIR recovered to USD1.3B in March 2014, the highest level since August 2012.
- We have recorded three consecutive quarters of increasing growth. In fact, the World Bank's *Global Economic Prospects (GEP)*, in its latest report, revised upward the growth prospects for Jamaica, projecting growth at 1.1 percent in 2014, 1.3 percent in 2015 and 1.7 percent in 2016. According to the GEP report, Jamaica saw the largest fiscal improvement in the region going from a deficit of more than four per cent in 2012 to a surplus of 0.1 per cent of GDP in 2013. Let me quote from the GEP report:  
  
**"Spending restraint, higher tax revenue, and lower interest and amortisation payments on restructured domestic debt, together with assistance from multilaterals supported this remarkable fiscal improvement."**
- The Debt to GDP ratio is trending down (standing at 139 per cent, down from the 147 percent of last year);
- The wage to GDP is trending down,
- We went to the International Bond Market last Tuesday with tremendous results; and importantly,
- Confidence has returned and is moving up.

**Mr. Speaker**, these achievements came with tremendous sacrifice which is supported by the collective will of the Jamaican people; this Administration will, and like we have been doing since returning to Office, reward the people's goodwill and confidence by being responsible to the need to secure a better economic future for all of us, through the necessary reform and modernisation efforts.

## PUBLIC SECTOR MODERNISATION OVERVIEW

**Mr. Speaker**, I stated earlier that our economic performance is to a large extent dependent on an efficient Public Service and for that purpose, the Jamaican Public Sector has consistently been upgrading its systems and processes to align with emerging demands.

Therefore, I wish to take this opportunity to assure and also to reaffirm to the people of Jamaica that public sector modernisation remains a critical part of the broader economic reform process which is currently underway across central government.

The Gleaner, in an editorial published Sunday May 18, 2014, accused the Government of "*sleeping on public-sector reform*".

**Mr. Speaker, this is not so. In fact, several crucial requirements have been met.**

Firstly, the Government has set aside **\$278.9Mn** in the 2014/15 Estimates of Expenditure, which have been tabled in this House, to continue the Public Sector Modernisation Programme, this year.

And secondly, under the Public Sector Moderation Programme III, which is funded by the European Union (EU), Inter-American Development Bank (IADB), China Co-Financing Fund, and the Government of Jamaica, Ministries, Departments, and Agencies will see improved management systems, and customer service structures for efficient public service delivery.

**Mr. Speaker**, a major initiative under this modernisation process is the reengineering of the public procurement system.

## PUBLIC PROCUREMENT

**Mr. Speaker**, the public procurement regime is a high priority area for the Government due to its significant impact of bolstering the local and national economy. Since it

accounts for approximately **30%** of GDP, improving the **transparency, integrity** and **efficiency** of the public procurement process is at the fore of current policy reform.

The GoJ's commitment to growth and employment generation through the public procurement system is further evidenced by the significant levels of expenditure on Contracts Awarded for goods and services. For **FY 2013/14** data on contracts awarded as provided by the PIOJ, indicate that a total of **8401** contracts valued at **\$50.55Bn** (approximately **10.1** per cent of the **2013/14** expenditure budget) have been awarded.

Of this amount, **total service contracts** numbered **2,537** and amounted to approximately **\$9.8Bn** or **19** per cent of the total value of contracts awarded, providing employment.

This included:

- **339** contracts for Consultancy Services valued at **\$1.63Bn**;
- **105** contracts for Security Services valued at **\$1.54Bn**; and,
- **81** contracts for Janitorial Services valued at **\$977Mn**.

The Cabinet, through the Infrastructure Sub-committee was also very instrumental in facilitating economic growth and employment generating projects during the period through the approval and close monitoring of the implementation of contracts valued at **\$40Mn** and above.

Since 2013, a total of **114** projects were approved by the Infrastructure Sub-Committee valuing **\$81Bn**. The majority of these projects were/are being implemented within budget and within the scheduled timeframe.

**Mr. Speaker**, during last year's sectoral presentation, I indicated to this House that several initiatives were being streamlined to improve public procurement. I am delighted to report that all of the outlined strategies are on target. Over the period, the MoFP has been involved in wide-scale stakeholder consultations with the key parties and the recommended changes and improvements are being effected:

#### **1. ELECTRONIC GOVERNMENT PROCUREMENT PROJECT (E-GP)**

- The implementation of an Electronic Government Procurement System (e-GP) is one of the required steps and the MoFP has awarded a contract to European Dynamics,

the selected vendor, under a technical cooperation programme between the GoJ and the IADB to spearhead the system's implementation;

- The development of this single portal to Government Tendering Authorities and Suppliers will automate and integrate tendering activities by administering government purchases online; from advertising of bids to publication of contract award. **This comprehensive e-tendering system will accelerate the procurement process by increasing efficiency and reducing costs incurred by government through its procurement activities;**
- The system's rollout will be done in FOUR pilot entities, namely: the National Health Fund (NHF), e-Gov Jamaica Limited, National Works Agency (NWA) and MoFP;
- An Inception Visit and Analysis meeting is currently underway. The deliberations began on June 30 and are slated to end on July 4, 2014.

## **2. THE PUBLIC PROCUREMENT LAW**

**Mr. Speaker**, given the limited scope of the current legislative framework, the Cabinet gave approval for the development of a comprehensive stand-alone Public Procurement Law and Regulations, which will streamline procurement provisions and bring the system more in line with international standards. The proposed improvements to the two main pieces of legislation – the Contractor General Act and Amendments and the Financial Administration and Audit Act (FAA), will enable the following benefits to the system and to stakeholders:

- i.** simplify, clarify and modernize public procurement;
- ii.** ensure fair and equitable treatment of all persons who deal with the procurement system of the Government, ensuring economy, efficiency, transparency and due process in the procurement proceedings;
- iii.** stimulate the Jamaican economy through the provision of fair opportunity for national persons to participate in procurement proceedings;
- iv.** foster increased public confidence in the procurement system;
- v.** facilitate the achievement of increased economy in procurement activities and to maximize to the fullest extent practicable the purchasing value of the money;
- vi.** provide safeguards for the maintenance of a procurement system of quality, integrity and transparency;

- vii. provide the necessary mechanism to implement the policy decision that procurement in the country will have centralized oversight with decentralized operations and that the necessary capacity will be built over time to accomplish this goal;
- viii. establish the Procurement Policy Office;
- ix. establish the Public Procurement Commission; and
- x. establish the Procurement Review Board.

It is anticipated that both the Bill and the Regulations will be tabled by September of this financial year.

### **3. PUBLIC PROCUREMENT CAPACITY STRENGTHENING PROGRAMME**

**Mr. Speaker**, the development of our human resources is also an integral component in the efforts to modernise the public procurement regime.

Consequently, the MoFP has commenced comprehensive public procurement training and certification. The curriculum is designed to strengthen the capacity of public procurement practitioners by establishing standardized and structured procurement training at every level in the system with robust certification requirements in all areas.

#### **This will entail:**

- i. The development and delivery of a Level 1 Programme Fundamental Course in Public Procurement by the Management Institute for National Development (MIND);
- ii. The design and delivery of an international certification programme in public procurement by the International Procurement Institute Jamaica (INPRI);
- iii. The design and delivery of an Insurance Placement training programme with the College of Insurance and Professional Services (CIPS).

**Mr. Speaker**, it is envisioned that upon successful completion of these programmes, the public service will have a cadre of procurement professionals who are

knowledgeable on various aspects of public procurement. This will enhance the overall **value for money, accountability** and **efficiency** of public procurement.

**We are seeing results from the measures invested thus far:**

- i. Twenty-five **(25)** public procurement specialists, analysts and practitioners have been certified in the Osgoode Certificate Course in Public Procurement Law and Practice. This training programme was delivered by an expert faculty organized by the Osgoode Law School, York University, Toronto, Canada, in key concepts of Public Procurement Law and Practice to underpin the tabling of Jamaica's first stand-alone Public Procurement Law (PPL);
- ii. Launch of the inaugural GoJ National Public Procurement Conference in March, 2014 which saw over Two hundred and sixty **(260)** Public Procurement practitioners from all GOJ procuring entities in attendance; they participated in dialogue, exchange and training in public procurement procedures and best practices; **Mr. Speaker**, the National Public Procurement Conference is intended to be an annual event;
- iii. The establishment of the Jamaica Network of Public Procurement Practitioners (**JNOPP**) to enhance system efficiency and responsiveness through a corporate governance approach; and,
- iv. The establishment of a Public Procurement Professionals' Stream to facilitate career 'pathing' in Public Procurement; this will be streamlined by the Public Services Establishment Division (PSED) entailing a Unit Structure for Procuring Entities with a reclassification of all procurement positions to ensure that the salary is commensurate with the responsibility.

**OTHER INITIATIVES FOR MAKING PUBLIC PROCUREMENT MORE EFFICIENT AND CUSTOMER FRIENDLY INVOLVE:**

- The publication of a GoJ Public Procurement Page in the print media, the intent of which is to merge all public procurement opportunities into a single platform for disseminating public procurement information nationwide and reduce the cost of advertising tender opportunities.

**Mr. Speaker**, this initiative was started in November of last year and has resulted in **significant** savings for GOJ public expenditure, an increase in accessibility of public procurement opportunities and therefore more competitive tender proposals

- In an effort to enhance the transparency of the public procurement regulatory framework, the National Contracts Commission (NCC) and the Office of the Contractor General (OCG) will operate independently. As such, the PPL and attendant Regulations will effect the legal separation of the two entities by way of an amendment to the Contractor General Act. Thus:
  - i. Under the PPL, the NCC will be renamed the Public Procurement Commission as an independent body and have its own staffed Secretariat and location, which will facilitate its proper functioning;
  - ii. The Public Procurement Commission will also be reconstituted to ensure stakeholder representation and thereby add another tier of scrutiny and transparency.

**4. ADDITIONALLY, THE ACCELERATION OF THE PROCUREMENT SYSTEM WILL BE FURTHER FACILITATED THROUGH THE:**

- i. Revised approval thresholds;
- ii. Removal of the requirement for all procuring entities to obtain the prior approval of the NCC to use the Direct Contracting procurement method above the specified threshold;
- iii. The revision of Emergency Contracting procedures;
- iv. Increased contract value thresholds, prescribed maximum timelines for all stages of the procurement process to improve the execution of procurement contracts;
- v. Establishment of a Public Appeals Board (PAB) as an independent tribunal to adjudicate contractor complaints in a procurement process. This administrative tier will strengthen the integrity and transparency of the public procurement process.

**Mr. Speaker**, other targeted areas for improving the public procurement process include:

- a. The engagement of a consultant to undertake a comprehensive assessment of the Contractor Registration System to mitigate against delays in the contractor registration process;
- b. The design of a programme towards credentialing the informal sector pursuant to a partnership between the MoFP and the HEART Trust/NTA; the credentialing of small contractors (individual artisans) by HEART/NCTVET would be accepted by the NCC as part of the registration requirements, thereby enabling these contractors to compete for procurement contracts.

The key components of this program will involve the assessment of:

- i. Competencies - professional and technical;
  - ii. Credit for life experiences - references, testimonials and portfolio presentation;
  - iii. Personality profile – suitability for job;
  - iv. Industry employer acceptance – comparable weighting against academic qualifications which are accepted by employers.
- c. **Mr. Speaker**, steps are also being taken to implement a fair and robust contractor performance assessment system to sanction and/or de-register underperforming contractors for defined periods, and give recognition to contractors who continuously deliver projects within time and budget.
  - d. The MoFP in conjunction with the Ministry of Industry, Investment and Commerce are finalizing an MSME Policy, which will facilitate the growth of our embryonic domestic industries. This is to encourage the participation of MSMEs in public procurement opportunities;
  - e. A consultant is also to be engaged to undertake a comprehensive review of the insurance placement regime and make recommendations to improve the system. Having undergone no major reform since the promulgation of its governing

framework, the Insurance Act and Regulations of 2001 and the Insurance Placement Regime, is slated for urgent and much needed review.

- f. Finally, the lengthy procurement process (from advertisement to Cabinet approval), has caused procuring entities to routinely miss the periods of renewal. Consequently, there are frequent requests for extensions or shortened periods until the process is complete, which overtime, result in higher costs to entities, thereby defeating the economic objectives of the procurement policy. Thus, a review of the current insurance requirement becomes necessary and will in the long run, engender a more efficient and stakeholder friendly system.

## **PUBLIC SECTOR TRANSFORMATION**

**Mr. Speaker**, I have so far highlighted crucial advances that are taking place in furtherance of the Government's economic reform and public sector modernisation agenda. I have looked extensively at the improvements to the public procurement regime and will now turn attention to public sector transformation and pension reform, two of the other critical pillars of the broader ERP focus.

In my presentation last year, I stated that everything will be done to transform and modernise the public bureaucracy to make it more effective in contributing to sustainable growth. Both the Honourable Prime Minister and the Minister of Finance and Planning, have in their respective presentations, affirmed the Government's commitment to this process. I will now pinpoint some of the key initiatives under my purview.

### **1. ESTABLISHMENT OF THE SHRMD**

- **Mr. Speaker**, the Government's strategic policy objective – *"creation of a modern, responsive and efficient public service to support national development"* is the remit of the Strategic Human Resource Management Division (SHRMD) at the MoFP.
- The SHRMD is the merger between the Public Service Establishment Division (PSED), and the Corporate Management Development Division, Cabinet Office. One of the main tasks of the merged entity is to bring coherence to the human resource management practices across the public service.

- The implementation of the Human Capital Management Enterprise Software System (HCMES) is a key deliverable of this objective.
- **Mr. Speaker**, funding for the procurement of this software system was secured under the IDB/GoJ Public Sector Efficiency Programme (PSEP). The procurement process commenced during the **2013/14 FY** and is now in the final stages. When completed, the **RFP** will be amended to add the payroll requirements.

The HCMES will be implemented on a phased basis, starting with e-Gov Jamaica Limited as the first test site, to be followed by:

- Tax Administration Jamaica (TAJ);
- Jamaica Customs Agency (JCA);
- Accountant General Department (AGD);
- Ministry of Finance & Planning; and,
- HEART Trust/NTA, then gradually across the public sector.

## 2. COMPENSATION REVIEW

- Similarly, **Mr. Speaker**, a Compensation Review for the Public Sector, is also at an advanced state. The review programme which is supported by the IADB was conducted during the year. The main objective of the Review is to transform the GoJ Compensation system and to devise measures to reduce the Public Sector Wage Bill to **9%** of GDP by 2016.
- Mr. Speaker, the Review was completed at the end of March 2014 as committed under the Extended Fund Facility, and the final report is now being evaluated by a multi-disciplinary team headed by the MoFP. Some key outcomes of the Review are:
  - i.** A Compensation Philosophy for the public sector;
  - ii.** A Compensation Policy for the public sector; and
  - iii.** A Retention Strategy for the public sector.

The findings including recommendations are subject to approval by the GoJ, and the new policy will include an implementation strategy.

### 3. PUBLICSECTOR PENSION REFORM

I now turn attention to Public Sector Pension Reform, another priority area under the current public sector transformation process.

#### A. THE WHITE PAPER

- **Mr. Speaker**, of significance is the White Paper entitled "The Reform of the Public Sector Pension System" which has been tabled here in Parliament in December 2013.
  
- The policy, as outlined in the White Paper, presented a position that is consistent with some aspects of the Report of the Joint Select Committee within the context of the existing fiscal and economic reality of the country, as well as indicated changes that will make the administration of the pension system more efficient.

A summary of the revised system includes the following; the full details of which can be viewed in the Appendix:

- i. The retention of the Defined Benefit System;
- ii. Introduction of a contribution rate of **5%** of salary by all employees, towards their pension;
- iii. The gradual increase of the normal retirement age from 60 to 65 years, with special provisions for persons within the Security Forces;
- iv. The reduction of the accrual rate or the annual rate at which pension is earned;
- v. Pension benefits will now be calculated using the average of the final five years' salary, instead of the last year's salary;
- vi. The vesting period remain unchanged;
- vii. On retirement, the worker will continue to be given the option to receive a gratuity with a reduced pension or full pension benefits;
- viii. Elimination of restoration of full pension after 12½ years of retirement;

- ix. Establishment of a **Segregated Fund** for the placement of contributions;
- x. In the event of death, the spouse and dependents of all public servants, including teachers, will be eligible for a '**Survivor Benefit**';
- xi. Benefits for employees who are terminated on the grounds of abolition of post or reorganization will now be determined by the Employment (Termination and Redundancy Payments) Act. Persons will no longer be retired in these circumstances;
- xii. Periodic reviews of Pension Benefits.

**Mr. Speaker**, the scheduled implementation date of the reformed pension system is **April 1, 2016** in keeping with the Government's commitment. In the interim, steps are being taken to have the necessary legislative amendments in place to strengthen the pension administration system.

## **B. INCREASE TO PENSIONERS**

- **Mr. Speaker**, in an effort to alleviate the financial challenges of pensioners caused by adjustments in cost of living, **Five Hundred Million Dollars (\$500M)** was provided to grant increases to pensioners; including spouses and dependents of deceased public servants.

The increases which became effective on **July 1, 2013**, are applicable to pensioners who:

- retired no later than January 1, 2010;
- were not less than fifty-five (55) years of age as at June 30, 2013;
- retired on the ground of ill health regardless of their age as at June 30, 2013;
- are in receipt of a widows/widowers and dependents pension which commenced prior to July 1, 2013.

Mr. Speaker, of a total of **33,780** pensioners, approximately **27,520** were eligible for the increases. The increases granted ranged from **One Thousand Two Hundred and Eighty Dollars (\$1,280)** per month to **Two Thousand Six Hundred and Fifty Dollars (\$2,650)** per month.

### C. PENSIONER'S LIFE CERTIFICATE

- **Finally on Pension Reform: Mr. Speaker**, in an effort to improve the welfare of our pensioners and reduce the administrative costs associated with the quarterly submissions of life certificate for approximately 34,000 persons, the Accountant General's Department has begun discussions with the Registrar General's Department with a view to signing a Memorandum of Understanding (MOU) towards the end of this month.
- This MOU will allow for the sharing of critical information needed to verify whether a pensioner is alive or dead and so facilitate the submission of Life Certificates twice a year instead of the customary four submissions. It is also envisaged that the issuance of Life Certificates will reduce the number of pensioners as well as the frequency with which pension payments are withheld or suspended because of non-submission.

## 4. **HEALTH SECTOR RECLASSIFICATION**

**Mr. Speaker**, the first phase of the **Health Sector Reclassification** exercise was implemented during the **2013/2014 FY**. This reclassification ushered in a revised basic salary regime for health professionals.

The second phase of the reclassification commences in the current fiscal year with the necessary revised pay allowances.

### **Main Focus for FY 2014/15 will be to:**

- Provide timely and sound advice on job evaluation and restructuring proposals;
- Approve revised pay/benefits as necessary in keeping with the signed Heads of Agreement;

- iii. Determine the wage bill in keeping with the medium term framework and Government's Human Resource Policies; and,
- iv. Maintain and update job standards for the Central Civil Service.

## 5. INDUSTRIAL RELATIONS

**Mr. Speaker**, you would recall that on March 6, 2013, a wage agreement was reached between the Government of Jamaica and the Public Sector Unions for the contract period 2012-2015. The parties committed to, among other things, a wage restraint for the period, and the Government in turn affirmed its commitment to honoring this Agreement by pursuing strategies that would enable growth and economic development.

Presently there are **four (4)** groups that are yet to sign this agreement, namely,

- i. *Nurses Association of Jamaica (NAJ),*
- ii. *Jamaica Medical Doctors Association (JMDA),*
- iii. *Association of Government Medical Consultants (AGMC); and,*
- iv. *The Academic Staff of the University of Technology.*

**Mr. Speaker**, in an effort to preserve the principle of collective bargaining, the Government through its Industrial Relations 'machinery' continues to engage Unions on issues that are peculiar to individual bargaining units. In this regard, **26** claims were received for the **2012-2015** contract period, i.e., **20** claims from Central Government and 6 from Parastatal Agencies. The negotiations of these claims were guided by the **2012-2015** wages policy and did not impact the wage bill or contravene the IMF Agreement.

**Mr. Speaker, despite the economic challenges, industrial harmony in the Public Sector has been maintained.**

- During the past Fiscal Year the Industrial Relations Unit has been playing a critical role in implementing and initiating the Economic and Social Benefits emanating from the wage agreements for the **2012-2015** wage periods.

- The Unit also crafted and disseminated a Grievance Policy for the Public Sector to Ministries, Departments, Agencies and Public Bodies, and is in the process of drafting a Disciplinary Policy manual for Public Bodies.
- We continue to foster an enabling environment for all public sector workers to strive and achieve their full potential. Thus, during the Financial Year, approximately **\$350Mn** was paid out to public sector employees in loans and grants.

## I. EDUCATION GRANTS

**Mr. Speaker**, in relation to education grants, some unions have negotiated grants which provide financial assistance to public sector workers pursuing additional studies. These include:

- i. *the JCSA, JCTU,*
- ii. *Jamaica Police Federation,*
- iii. *United District Constables Association,*
- iv. *Jamaica Association of Education Officers, and*
- v. *The Jamaica Federation of Corrections.*

Beneficiaries are selected by the unions and payments are made by the MoFP. Approximately **500** workers as well as some dependents benefited from education grants for FY 2013/2014; an additional **\$30Mn** will be spent on this activity for **FY 2014/2015**.

**Mr. Speaker**, special consideration for the extension of the moratorium period for targeted groups such as nurses and pharmacists, who are licensed to practice in their profession, after completing their course of study is also being facilitated by the Students Loan Bureau.

## II. SKILLS TRAINING

**Mr. Speaker**, public sector workers are also benefitting from skills training in the technical and vocational areas and under the MOUs signed with the unions, over 7,200 public sector workers received training in:

- i. Information Technology; Plumbing and Tiling,
- ii. Floral Arranging; Interior Decorating; Drapery,
- iii. Entrepreneurship; Nail Technology,
- iv. Cake Baking and Decorating; Food Preparation,
- v. Garment Construction; Hair care.

- The Ministry has forged partnerships with institutions such as HEART Trust/NTA and Training Institutes certified by HEART Trust/NTA and the UWI (Open Campus) as well as other approved community based organizations to execute these specialized skills training.
- The training skills component is aimed at providing additional skills and to prepare participants for the ever changing modern labour market. During FY 2013/2014, two hundred (200) workers were trained; and it is hoped that this number will be doubled in the current financial year.

### III. SCHOLARSHIPS & ASSISTANCE PROGRAMME

- Similarly, over **20** active scholarships programmes offered by Jamaica's bi-lateral and multi-lateral partners have provided Jamaicans with advancement opportunities for both their personal and professional development.
- Our international partners offer scholarships in a number of fields, ranging from Public Sector Reform, Mathematics, Science, Teaching, Health and Education, among others. I wish to especially recognise the Japan Government which has increased the number of scholarships to Jamaicans for the **FY2014/2015** to commemorate 50 years of diplomatic relations with Jamaica.
- Scholarship awardees are normally required to sign a bond undertaking for two to five years to assume/resume duties on completion of the course of study.
- **Mr. Speaker**, approximately **800** persons signed bonds last year.

**Mr. Speaker, I will now give a sector overview of the Jamaica Customs Agency (JCA) and the Gaming Industry, following which, I will conclude my presentation.**

## JAMAICA CUSTOMS AGENCY

**Mr. Speaker**, since being accorded an Executive Agency status, the Jamaica Customs Agency has been concentrating on the delivery of existing priorities, improvements in performance and the transformation of the Agency in the longer term. With this change, it is expected that the JCA will continue to maximize its revenue capacity.

- For FY 2013/2014, the Agency's net revenue collection was **\$134.254Bn** which is **\$14.172Bn** or **12%** above the previous year (FY 2012/2013). As at June 18, 2014, the YTD target for the current fiscal year is **\$27.896Bn** while the YTD collection was **\$28.270Bn**, therefore exceeding its current YTD target by **\$0.374Bn** or **1.34%**.
- The new tax reform measures also make special provisions for improving efficiency and customer relations at the Agency. These new reform measures include:
  - i. Amendment to the Customs Tariff in relation to retaining the recently changed **5%** Duty on LEDs in keeping with the GoJ stated Energy Policy;
  - ii. Reform of the Provisions of the Customs Regulations to update the schedule to reflect current best practice and improve the administration of the Customs Act;
  - iii. Amendment of Customs Act to allow for CET Suspension to allow for a standardized, criteria driven application in accordance with the Treaty of Chaguaramas; and,
  - iv. Amendment to the existing Customs Act to provide for the implementation of the Asycuda system to enhance border control via the provision of advance passenger and cargo information electronically.
- **Mr. Speaker**, the United Nations Conference on Trade and Development (UNCTAD) has received the first payment for Technical Support which will be provided for the integration of the ASCYCUDA World system. Phase I of the project commenced on **April 7, 2014** with the UNCTAD team administering

training in the relevant areas of system configuration and employee orientation. To date:

- A functional Team has been put in place and stakeholders' sensitization sessions have been held with Brokers and the Chamber of Commerce, among others.
- The ASYCUDA Prototype has also been built and is to be configured shortly.

**Mr. Speaker**, the ASYCUDA World Project will guarantee transparency, uniformity/standardization and consistency of Customs procedures. The ASYCUDA project will improve Customs Control and risk management capabilities thereby reducing the incidences of smuggling. The operations of the JCA will be further significantly strengthened to promote trade and national development through more expeditious clearance of goods as well as the efficient calculation, collection and accounting for the duties, taxes and fees. In fact **Mr. Speaker**, the ASYCUDA Feasibility Study projects that Customs revenue will increase by **10-20%** once the system is fully implemented.

## THE GAMING INDUSTRY

**Mr. Speaker**, I begin the review of the gaming industry with a summary of the recently held Gaming Industry Summit. This inaugural conference expanded on the initial horseracing summit to include all the major stakeholders from the betting, gaming and lotteries sectors.

The goal of the summit was to find solutions to further advance the Industry, devise strategies to complement the new and emerging demands in gaming and provide stakeholders with the opportunity to discuss their concerns and share information. All the participants benefited from the exchange of information and gained insight into new initiatives for gaming as a whole.

### INDUSTRY OVERVIEW

**Mr. Speaker**, the Jamaican Gaming Industry is valued at approximately **\$95Bn** and has undergone significant growth over the past decade. For the **2013-14** fiscal years,

the industry recorded **\$4.583Bn**, an increase of **20%** over the previous fiscal year. The current FIFA World Cup alone is valued at approximately **\$400bn** and this speaks volumes for the local gaming industry to capitalize on gaming opportunities as they arise.

**Mr. Speaker;** this is not the kind of revenue intake in the economy that any administration can ignore. Thus, the required efforts must be deployed in order to guarantee the **integrity, transparency** and **inviolability** of the game.

The Government is cognizant of what needs to be done. We also recognise that the randomness of the game must be preserved but at the same time, must ensure that operations within the gaming landscape do not jeopardize revenues from the industry.

Thus, the main policy objectives of the government are to preserve the **integrity** of the industry, **foster growth**, a **stronger economy** and the **creation of jobs** for our people through the following initiatives:

## 1. MERGER OF THE BGLC AND THE JRC

**Mr. Speaker,** the merger between the Betting Gaming and Lotteries Commission (BGLC) and the Jamaica Racing Commission (JRC) is being pursued in accordance with the plans under the Public Sector Rationalisation Programme and is expected to be undertaken in two phases:

- (a) Phase I is a partial merger of the finance, human resource and certain core operations combined; while,
  - (b) Phase II is a full merger of all other operations combined and a single law created (within 2 years)
- The Merger Committee, aided by a consultant, is in its final stages of defining the partial merger, based on feedback from the MoFP. The initial phase is expected to begin in **August 2014** and completed by **October 2014**.

- **Mr. Speaker**, we are also looking forward to the upcoming completion of the construction at Hagley Park Road which will facilitate the physical merger. We then will be facing the task of merging the JRC Act and the BGLC Act to govern the two entities under one instrument.

## 2. THE DIVESTMENT OF CAYMANAS TRACK LIMITED

And... the divestment plans for Caymanas Track Limited are proceeding apace.

- A new enterprise team was charged with the mandate to facilitate the divestment of the entity. The team (assisted by a Strategic Consultant) continues to work towards the finalisation of this transaction before the end of the year.
- There have been two expressions of interest to date; one from the Racing Divestment Committee (a local stakeholder group) and the other from Britnelle Development Group LLC (Maryland).

In addition, market sounding activities continue. The Consultant is currently engaging **EIGHT (8)** international organizations with a view to their participation in the market sounding exercise. The prequalification of interested investors is a next step in the process and is scheduled to commence in **July 2014**.

Mr. Speaker, CTL possesses tremendous potential to become a viable and profitable entertainment entity, provided the right vision and investments are in place. The company has recently entered into an agreement with bookmakers that will see them acting as agents for CTL. This presents a potential **\$1.8Bn** revenue boost opportunity for the company.

Similarly, there is huge untapped opportunity for the company to expand into the **\$60Bn** gaming machine segment and grow its share of the local horse racing betting industry. CTL currently has the licensing capacity for **500** gaming machines at its track facility which could enable potential investors to build out Caymanas Park, not only a horse racing venue, but a full range gaming complex.

This would have the effect of driving higher attendance into the race track, possibly spurring further interest in horse racing and conservatively increasing gross revenue by **\$40Bn** (or a net revenue after payout of **\$1 billion**).

### 3. SUNDAY AND HOLIDAY BETTING AND GAMING

**Mr. Speaker**, the Government's policy on Sunday betting and gaming is expected to change with the proposed Employment Flexible Work Arrangements Miscellaneous Provisions Bill which is currently before the Parliament.

The Bill proposes to remove the restrictions for undertaking most forms of businesses on Sunday and Public holidays (except Good Fridays and Christmas), by including provisions to amend among others, the BGL Act, as well as the Town and Communities Act. These should facilitate betting, gaming and lottery activities on those days.

However, it must be noted that lottery; gaming and betting activities are currently being facilitated on those days in breach of the Town and Communities Act and will have to be validated. The matter is to be dealt with by the TAJ under the proposed Miscellaneous Bill. The validation of Sunday racing will nevertheless be dealt with by the Public Enterprises Division.

### 4. INTRODUCTION OF INTEGRATED RESORT DEVELOPMENTS

Mr. Speaker, the continued growth of the gaming sector can be exponential with the advent of casino gaming. This is expected to be introduced with the concept of Integrated Resort Developments (IRDS).

IRDs are luxury resort developments which are expected to cater to "high spenders" and include but are not limited to hotels, villas, sporting and recreational facilities, shopping centres and casinos. The expiry date for the receipt of applications is November 30, 2014. A total of **FIVE (5)** applications were received from the following:

- *Amaterra Jamaica Limited*
- *Celebration Jamaica Limited*
- *Harmony Cove*
- *Jamaica Casino Royale*
- *Fiesta Jamaica Limited (a subsidiary of Palladium Hotels and Resorts)*

Given various issues, including partial and non-payment of the application fee, the Attorney General's Chambers advised that some of the applicants were non-responsive to the RFP. Accordingly, the Ministry was obliged to discontinue its review of two applications, while another withdrew. The Financial Investigations Division of the Ministry has begun the due diligence exercise in the process.

## 5. CASINO GAMING COMMISSION

**Mr. Speaker**, the Casino Gaming Commission continues to evolve and has been staffed as required at this time. Additional regulations to support the Casino Gaming Act are being developed. Also, a team from the Casino Gaming Commission will travel to the New Jersey Gaming Commission sometime in this month in its efforts to finalise some of the attendant regulations.

## 6. INTERNET GAMING (iGAMING)

**Mr. Speaker**, iGaming or Internet Gaming is the future of gaming. The online gaming business is progressively advancing and changing the model of the gambling industry as many consumers turn to the Internet to bet on sports, gamble on slots, or play cards. The Government is mindful of the potentials of iGaming and is reviewing the possibilities for this platform over the next year.

A report by Forbes Magazine titled "*Online Gaming: A Gamble or a Sure Bet?*" states that iGaming already produces more than **\$20Bn** in worldwide revenue and may be ready to grow further. Also, the last Juniper Research study in the US projects that internet placed bets will reach **\$100Bn** by 2017.

And internet gaming is happening right now in Jamaica. Therefore, it is time that we make that progression to this methodology of gaming, as Jamaicans are already well equipped with the devices to facilitate this.

However, the legal and regulatory framework must also be enabled to facilitate gaming in all the respective jurisdictions.

## 7. THE LEGAL AND REGULATORY FRAMEWORK

**Mr. Speaker**, in an effort to ensure the integrity and probity of the games, the Government has introduced certain amendments to improve the regulatory framework.

These amendments aim to:

- A.** Strengthen and improve the regulatory oversight of the Betting Gaming and Lotteries Commission (BGLC) so as to develop and expand the industry in an orderly manner;
- B.** Increase the Revenue streams through:
  - i.** the expansion of the sports betting and lottery industries through the licensing of a variety of new outlets, including mobile outlets;
  - ii.** Introduction of fees for activities undertaken by the Commission in the gaming machine sector/industry;
  - ii.** Licensing fees for certain persons operating in the betting, gaming and lotteries industry;

Mr. Speaker, there are also plans for the BGLC to expand the license base and introduce revenue generation and cost containment measures in an effort to maintain financial and operational stability in the Industry. This objective will be achieved through the following legislative initiatives.

- i.** Introduction of Telephone Betting Regulations;
- ii.** Introduction of Sports Betting Regulations;
- iii.** Replacement of old Horseracing Levy Orders;

**iv. Additional Amendments to the BGL Act to facilitate:**

- a)** Expansion of sports betting outlets;
- b)** Inclusion of a Fixed Penalty Order;
- c)** Imposition of monetary fines for breaches committed by licensees, and,
- d)** An increase in the gaming machine limit (from **150 – 225**) for operators, who held gaming machine licenses prior to the Amendments to the BGL Act in 2010.

## **8. PROCEEDS OF CRIME ACT (POCA)**

**Mr. Speaker,** Jamaica's development is predicated on our ability to retool and restructure the country's agencies and statutory bodies, ministries and departments to foster greater ease of doing business. This is closely measured internationally and is critical to attracting investment.

However, our ability to attract and maintain investment can only be fostered in an environment that is impervious to money laundering. The annual global volume of money laundering is estimated to be between **US600Bn** and **US\$1.5 trillion** (between **2%** and **5%** of world GDP). In the Caribbean, it is estimated that **US\$50Bn** is laundered on an annual basis.

**Mr. Speaker**, the data on how much funds are racketeered through the gaming infrastructure is unclear; however, one thing that is abundantly clear is that the issue of money laundering has been a bothersome one for the industry. The Government has taken steps to correct the anomaly with the passing of the Amendments to the Proceeds of Crime Act (POCA) in 2013. The amended act now allows for greater reach in the fight against money laundering and illegal betting and gaming practices in the Industry.

Thus, regulated entities that are deemed as:

- **Designated Non-Financial Institutions (DNFI's)** such as gaming machine operators and casino operators are now subject to strict guidelines relating to financial transaction volumes.
- The new regulations for gaming machine operators licensed under the BGLC Act came into effect from 1st April 2014 and casino operators, licensed under the Casino Gaming Act also came into effect on April 1, 2014.

## **C**onclusion

**Mr. Speaker**, as I draw my presentation to a close, I wish to reiterate that ALL of us as Jamaicans must recognise that securing the growth and development of this country is a collective responsibility. Now is the time for us to unite, because, **Mr. Speaker**, unity is strength.

Indeed, some great strides are being made with respect to economic reform and public sector modernisation. I highlighted several of the initiatives in my presentation – the reengineering of the public procurement regime, public sector transformation, pension reform, the expected technological and legislative improvements at Customs, the improved gaming landscape being made possible through critical pieces of legislations and mergers, and importantly, the continued development of public sector workers to prepare them for work in a modern economy.

**Mr. Speaker**, the current gains in economic reform and public sector modernisation are being consolidated to position our country firmly into the 21<sup>st</sup> century. A modern economy is characterised by:

- Growth in all economic indicators,
- Rapid evolution and adaptation of technological change,
- Dynamic efficiency in public service delivery,
- Increased productivity, and
- Structural transformation.

**Mr. Speaker**, achieving these **FIVE** objectives is the vision of this Administration being led by the Most Honourable Portia Simpson Miller. **This Government was elected to office to help steer this beautiful Island into calmer 'seas' and advance the hope for a brighter future for our people.**

We are working tirelessly to effect the critical reforms, thus, 'sleep' is never an option.

That's why our economic reform programme is on track;  
That's why growth has returned;  
That's why the IMF Agreement is securely in place; and,  
That's why the confidence of the Jamaican people has returned and is moving up.

All these have been accomplished because this Administration has NEVER fallen asleep or become complacent on the job.

We are committed Mr. Speaker. We are committed to staying the course.

I must therefore thank the Honourable Prime Minister, Portia Simpson Miller for her firm and dignified leadership in steering the team;

My colleague at the Ministry of Finance and Planning, Dr. Peter Phillips and all my other Cabinet colleagues for the work that each person continues to put in for team Jamaica;

I must thank my Constituents, the people of Northern Clarendon without whose support and confidence, I couldn't be here today;

To my family, thank you for your love and support;

To my staff at the Ministry of Finance and Planning including my personal team, all my sector leaders, Trade Union leaders, all workers in the Public Sector, thank you for all your support.

And to the people of Jamaica, thank you, and may God continue to bless us all richly.